

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 EB-07 XMB-02 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

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FM AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: XMB, EFIN, EAID, JA

SUBJECT: PROPOSED INCREASE IN JAPAN EXIMBANK LOAN DISBURSEMENT

REF: STATE 216157

1. SUMMARY: CONTENTS OF REFTEL CONVEYED IN LOW-KEY MANNER TO MOF AND MOFA AS INSTRUCTED. OFFICIALS HERE GENUINELY SURPRISED THAT USG NOW CONSIDERING EXPANSION OF EXPORT CREDIT AGREEMENT TO INCLUDE AMOUNT OF CREDIT GRANTED. EMB OFFICERS POINTED OUT THAT PROPOSED 35 PERCENT INCREASE IN JAPAN EXINBK TRADE CREDITS APPEARS TO TILT GOJ BUDGET PRIORITY TOWARD GOVT-SUPPORTED EXPORT COMPETITION AT A TIME WHEN RECENT EPA WHITE PAPER CONCLUDED THAT JAPAN'S EXPORT PERFORMANCE HAS IMPROVED AND IS HIGHER THAN 1960-72 AVERAGE. MOF OFFICIAL AGREED TO STUDY USG VIEWS AND WILL PROBABLY GIVE OFFICIAL REPLY. END SUMMARY.

2. AT MOF FINATT CONVEYED IN WRITING CONTENTS OF PARAS 1 AND 2 TO YAMAGUCHI (DIR OVERSEAS PVT INVEST DIV) WHO HAD BEEN ONVOLVED IN UNILATERAL EXPORT DECLARATION. FINATT NOTED THAT PROPOSED 35 PERCENT INCREASE IN JAPAN EXIMBK TRADE CREDITS WAS MORE THAN DOUBLE THE (A) AVERAGE
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INCREASES OF ONLY 15 PERCENT IN PRECEDING FOUR YEARS,

AND (B) THE RESTRAINED 15 PERCENT INCREASE IN JFY 1977 GENERAL ACCOUNT BUDGET BEING PROPOSED BY MOF. THEREFORE, IT APPEARS THAT GOJ BUDGET PRIORITIES ARE STRESSING INCREASED GOVT SUPPORT FOR EXPORT COMPETITION WHEREAS USG UNDERSTANDS THAT COUNTRIES AGREED TO REDUCE USE OF GOVT-SUPPORTED EXPORT CREDITS AS AN INSTRUMENT OF COMPETITION. YAMAGUCHI COMMENTED THAT DISCUSSIONS LEADING UP TO UNILATERAL DECLARATIONS, INCLUDING THAT AT RAMBOUILLET, HAD FOCUSED ON CREDIT TERMS AND HE DID NOT RECALL THAT THE AMOUNT OF OFFICIAL CREDIT GRANTED HAD EVER BEEN RAISED BY USG OR BY OTHERS. THEREFORE HE WAS SURPRISED THAT USG WAS NOW SUGGESTING POSSIBLE FUTURE EXTENSION OF UNILATERAL DECLARATION TO "MORE COMPREHENSIVE ARRANGEMENT." HE ALSO TOOK NOTE OF "CONCERN" OVER "JAPAN'S DEDICATION TOWARD FUTURE REDUCTION IN COMPETITION THROUGH GOVT-SUPPORTED EXPORT CREDITS."

3. YAMAGUCHI SAID THAT (A) MOF BANKING AND INT FIN BURS AND NOT MITI ARE MOST DIRECTLY CONCERNED WITH OPERATION OF JAPAN EXIMBANK AND (B) MITI PROPOSAL FOR 35 PERCENT INCREASE IN LOAN DISBURSEMENTS WAS MERELY "PROPAGANDA" DURING INITIAL BARGAINING ROUND OF BUDGET-MAKING PROCESS NOW GETTING UNDER WAY. FINATT COMMENTED THAT 35 PERCENT INCREASE IN CONTRAST TO MUCH SMALLER INCREASE IN TOTAL GENERAL ACCT BUDGET COULD BE INTERPRETED BY OTHERS AS SIGNAL GOJ GIVING PRIORITY TO GOVT-SUPPORTED EXPORT CREDITS. THE QUESTION WAS WHETHER SUCH A PRIORITY WAS APPROPRIATE IN VIEW OF JAPAN'S ENHANCED EXPORT PERFORMANCE COMPARED TO OTHER MAJOR COUNTRIES THIS YEAR (DOCUMENTED BY EPA'S WHITE PAPER) WHICH HAD BEEN ACHIEVED THROUGH PRIVATE INITIATIVES.

4. YAMAGUCHI UNDERSTOOD REASONING UNDERLYING U.S. POSITION WHICH HE SAID WOULD HAVE TO BE CAREFULLY STUDIED AND PROBABLY REQUIRE AN OFFICIAL RESPONSE.

5. EMBOFF RAISED SAME POINTS SEPARATELY WITH FONOFF (ITO, FIRST INTL ECONOMIC AFFAIRS DIV DEPUTY CHIEF) AND RECEIVED GENERALLY SIMILAR RESPONSE. ITO EXPRESSED SURPRISE THAT U.S. WOULD CONCERN ITSELF WITH VOLUME OF JAPAN EXIBK FUNDS, AND HE INDICATED MITI PROPOSAL FOR 35 PERCENT INCREASE WAS UNREALISTIC ALTHOUGH INCREASE OF 15 PERCENT OR SO MIGHT BE LIMITED OFFICIAL USE

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EXPECTED. ITO FURTHER WONDERED WHETHER U.S. PLANNING TO DISCUSS VOLUME OF GOVT-SUPPORTED EXPORT CREDITS IN MTN, AND HE LIGHTLY ASKED OUR VIEWS RE POSSIBILITY OF EC ESTABLISHING EXIMBK.
HODGSON

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